

Message Text

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PAGE 01 ROME 11241 161849Z
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TAGS: EFIN, IT
SUBJECT: ITALIAN SKEPTICISM ON CREATION OF A EUROPEAN CURRENCY-

REF: ROME 9316

PASS FRB

1. GUIDO CARLI, PRESIDENT OF ITALIAN ASSOCIATION OF INDUSTRIES AND FORMER GOVERNOR OF THE BANK OF ITALY, WARNED AGAINST THE CREATION OF A EUROPEAN CURRENCY IN THE PRESENT SITUATION OF EXCESS DOLLAR SUPPLY AT A ROUNDTABLE DISCUSSION ON THE INTERNATIONAL MONETARY SITUATION ORGANIZED BY CESPE (ECONOMIC GROUP OF ITALIAN COMMUNIST PARTY) IN WHICH GIORGIO LA MALFA (PRI) AND FERRARI AGGRADI (DC) ALSO PARTICIPATED. (PLEASE SEE REFTEL FOR RECENT VIEWS OF BANK OF ITALY OFFICIAL.)

2. TO THE DIFFICULTY INHERENT IN ENLARGING THE SNAKE, I.E., THE DIFFICULTY OF WEAK CURRENCY COUNTRIES LIKE ITALY'S TRYING TO KEEP PACE WITH STRONG CURRENCY COUNTRIES, WHICH WERE POINTED OUT BY LA MALFA AND FERRARI AGGRADI, CARLI STATED A GENERAL CRITICISM OF PROPOSALS TO CREATE A EUROPEAN CURRENCY. HE SAID SUCH A CURRENCY WOULD

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PAGE 02 ROME 11241 161849Z

BECOME A RESERVE CURRENCY. EUROPE WOULD THEN BE FACED, ACCORDING TO CARLI, WITH EITHER CONVERTING DOLLARS ATTRACTED BY THE NEW RESERVE CURRENCY, WHICH WOULD HAVE INFLATIONARY CONSEQUENCES FOR EUROPE, OR ALLOWING THE NEW CURRENCY TO APPRECIATE, WHICH WOULD HURT THE COMPETITIVENESS OF EUROPEAN EXPORTS AND HAVE RECESSIONARY CONSEQUENCES FOR EUROPE.

3. CARLI ALSO SAID THAT THE COUNTRIES PUSHING THE MOST FOR A COMMON CURRENCY ARE THE COUNTRIES THAT ARE INSISTING THE MOST ON THE UNITED STATES' REDUCING ITS DEFICIT. HE SAID SUCH A PROCESS MUST BE GRADUAL. CAN YOU IMAGINE WHAT WOULD HAPPE, HE SAID, IF THE US DEFICIT WERE ALL OF A SUDDEN UNLOADED ON EUROPE? THE US DEFICIT MUST BE REDUCED GRADUALLY BY LOWERING AMERICAN OIL IMPORTS WITH A DIFFERENT ENERGY POLICY; IN THIS WAY, CARLI SAID, THE PROCESS WOULD BE DIRECTLY BETWEEN THE UNITED STATES AND THE OIL-EXPORTING COUNTRIES AND WOULD NOT FALL ON EUROPE.HOLMES

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